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Telephone Bills: Charges on Local Telephone Bills

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James R. Riehl
Information Research Specialist
Information Research Division

ABSTRACT

This report provides background information on various charges that may appear on a telephone bill. With the continuing transformation of the telecommunications industry and following passage of the Telecommunications Act of 1996, more and more itemized charges are appearing on telephone bills. Explanation of items such as the federal telephone excise tax, subscriber line charges, presubscribed interexchange carrier charges, universal service, relay center surcharges, 911 charges, and charges associated with the implementation of local number portability are provided. Background information on "cramming" is also provided. This report will be updated as events warrant.

Telephone Bills: Charges on Local Telephone Bills

Summary

Telephone bills are becoming more and more complex and such change and complexity occasion congressional and regulatory attention as well as constituent requests for explanation of new charges on their bills. As local telephone companies provide additional caller services and continue to act as billing agents for long-distance and information service providers, a customer's local bill can include charges for myriad options that did not exist a few years ago. Bills may now contain charges labeled federal subscriber line charge, presubscribed interexchange carrier charge, "national access fee," "carrier line charge," "federal universal service charge," or local telephone number portability. In addition, customers may now receive bills for different telecommunications services from different telecommunications service providers.

Long-distance companies often bill business customers directly, while residential customers are billed through a local phone company. Cellular telephone and personal communications services (PCS) providers, competitive local exchange carriers (CLEC), and paging companies usually send bills directly to the consumer. Some cable television companies are providing local telephone service, and those charges may appear on a cable bill. While surveys show that consumers prefer one readable and understandable bill, there is no federal regulation or law that dictates the layout or wording that is used on bills. This report lists and describes the possible basic charges that commonly appear on most local service telephone bills and discusses the practice of "cramming," the appearance of unauthorized and possibly illegal charges on telephone bills.

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Telephone Companies

According to estimates of the Federal Communications Commission (FCC), there are over 1,300 companies that provide local telephone services and over 700 companies that provide long-distance telephone services in the United States.[1] There may be almost that many ways of presenting a telephone bill to a customer. The FCC does not dictate the form or wording of a telephone bill. State public utility commissions, the entities that oversee telephone industry regulation within each state, generally do not try to control form and wording of telephone bills either.

On September 17, 1998, the FCC adopted a Notice of Proposed Rulemaking addressing the issue of the clarity of telephone bills.[2] The three main proposals of the rulemaking were:

1) Telephone bills should be clearly organized and highlight any new charges or changes to consumers' services,

2) Telephone bills should contain full and non-misleading descriptions of all charges and clear identification of the service provider responsible for each charge, and

3) Telephone bills should contain clear and conspicuous disclosure of any information consumers need to make inquiries about charges.

The FCC received over 60,000 consumer inquiries concerning telephone bills in 1998.

On April 15, 1999, the FCC issued an Order generally adopting the proposed principles and minimal, basic guidelines to help consumers understand their telephone bills.[3] The guidelines adopted implement three basic principles. Consumers should know:

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[1]U.S. Federal Communications Commission. *Statistics of Communications Common Carriers*. 1996/1997 ed. Washington, 1998. p. vi.

[2]*Federal Register*, October 14, 1998, p. 55077-83.

[3]U.S. Federal Communications Commission. *In the Matter of Truth-in-Billing and Billing Format*, First Report and Order and Further Notice of Proposed Rulemaking, CC Docket 98-170, FCC 99-72. Adopted April 15, 1999. Released May 11, 1999. Available via the FCC Web site at: [www.fcc.gov/ccb].

1) who is asking them to pay for service,

2) what services they are being asked to pay for, and

3) where they can call to obtain additional information about the charges appearing on their telephone bill.

The FCC chose to adopt broad, binding principles instead of detailed rules that would rigidly control all of the wording and the format of a telephone bill. Thus, telephone companies have wide latitude to satisfy the adopted principles in a way that serves the needs of the carrier and the customer. In its Order, the FCC states that, *"We incorporate these principles and guidelines into the Commission's rules, because we intend for these obligations to be enforceable to the same degree as other rules. Thus, while we provide carriers flexibility in their compliance, we fully expect them to meet their obligation to provide customers with the accurate and meaningful information contemplated by these principles."*

In addition, to help combat "slamming" and "cramming," this Order requires that telephone bills, in some way, call attention to any changes in a customer's service provider and that bills include clear and full descriptions of charges, including the carrier that is billing for those charges. Carriers must also clarify when a customer may withhold payment for disputed services without having to worry about disconnection of their telephone service.

The Order also adopted proposals to require carriers to use standard industry-wide language and clear descriptions for line item charges identified as resulting from federal regulatory activity. The FCC felt that current presentations of these charges on telephone bills are misleading, inaccurate, and confusing. As a result, through a proceeding announced in the *Federal Register*, the FCC will seek comment from consumer and industry groups concerning standard labels for these charges.[4]

Finally, carriers must prominently display on each bill a toll-free number (or numbers) that customers may use to inquire about or dispute any charge on their bill.

Provisions of this Order not subject to further rulemakings become effective 30 days after the publication of notice of the effective date in the *Federal Register*. That notice was published in the October 12, 1999 *Federal Register* on pages 55163-64. However, due to concerns expressed by the Office of Management and Budget during review of the rules, the FCC agreed to delay, until April 1, 2000, implementation of sections of the rules concerning the highlighting of new service providers and the identification of deniable and nondeniable charges on telephone bills. All other principles and guidelines adopted in the Order became effective on November 12, 1999.[5] Since publication of the notice of effective date, the FCC has published two corrections to the final rules. Both corrected typographical errors and were published

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[4]*Federal Register*, June 25, 1999, p. 34499-501.

[5]A summary of this Order was published in the *Federal Register* on June 25, 1999, on pages 34488-98.

in the *Federal Register* on October 18, 1999 on page 56177 and October 28, 1999, on page 57994.

The FCC provides consumer information on truth-in-billing at their Web site at: [www.fcc.gov/Bureaus/Common_Carrier/Factsheets/truebill.html].

The FCC also provides consumer information relating to additional telephone issues at: [www.fcc.gov/ccb/consumer_news].

Charges on Local Telephone Bills

Local Telephone Service. This is the basic amount that a customer pays for local dialing service, not including any taxes or additional services. State public utility commissions regulate this charge, not the FCC.

The geographic size of a local dialing area and the structure of local dialing service packages vary from company to company and from state to state. Typically, customers may have local telephone service that allows an unlimited number of calls *within* their local dialing area for a flat monthly fee or a service package that allows up to a specific number of local calls during any one month. If a customer exceeds that number of calls, the extra calls are subject to additional charges.

Recently, some companies providing local telephone service have started to list the individual component charges that are included in the fee a customer pays for local service. Questions concerning any of these components or the fees charged for each component should be addressed to the company providing local phone service and/or the state public utility commission.

Questions about the types of local dialing services available in a customer's area and/or the charges associated with local dialing packages should also be addressed to the local phone company and/or state authorities.

Inside Wiring. In some cases, a charge labeled "Inside Wiring" may appear on a customer's bill. This is an *optional* charge that customers may pay to a company for service calls on the wiring *inside* their home. Monthly fees for inside wiring "insurance" vary from company to company. Inside wiring is owned by the home or building owner.

Customers paying this fee are not charged any additional monies if the company is requested to repair inside wiring. Customers choosing not to pay this fee will be charged by the phone company for any necessary inside wiring repairs requested. Fees charged for inside wiring work vary from company to company. If a customer has an inside wiring problem, there is no requirement to call the phone company. Since the wiring is owned by the home or building owner, any company may be called or the owner may choose to work on the wiring.

Toll Calls. Each telephone customer is permitted to call certain telephone exchanges in their geographic area without incurring any additional charge on their telephone bill. Because of the introduction of new area code overlays, local telephone calls may require seven-digit or 10-digit dialing. Calls made *outside* of a customer's local dialing area will incur additional charges on a telephone bill. Local dialing areas are not determined by the FCC. State authorities regulate the local dialing areas in their state and make the determination as to whether calls to certain exchanges are within a specific local dialing area or are toll calls.

Toll calls are often handled by the same company that provides local telephone service to a customer. However, in some states, state authorities have permitted long-distance carriers to compete in the toll call market. Toll call rates can vary substantially depending upon the carrier chosen (in states where such competition is permitted). If there are any questions concerning toll call charges or whether or not a specific exchange is included in a local dialing area, they should be addressed to the company providing local telephone service and/or state authorities.

Jamming. With the advent of competition in the toll call market, complaints have arisen that some customer accounts are being frozen so that customers cannot use a company competing with their local phone company to complete a toll call. This tactic is referred to as jamming. In cases where this is occurring, customers may be paying more for their toll calls. Customers who feel that they have been jammed and have inquiries about competition in the toll call market should address their inquiries to state authorities.

Sliding. Some customers have also complained that their chosen provider of local toll call service has been switched without their permission. This practice has been termed sliding. As with jamming, toll call rates can vary substantially from company to company. Consumers who believe that they have been victims of sliding should contact their chosen toll call provider and/or state authorities.

Miscellaneous Caller Services. Local telephone companies offer a wide variety of caller services such as: caller ID, call waiting, call forwarding, call rejection, call trace, call return, priority ringing, and voice mail, among many others. Both the types of caller services offered and the charges for these services vary from company to company. Charges may include monthly fees and/or per-use charges. The FCC does not regulate these charges.

Long-Distance Services. Long-distance charges are wholly dependent upon the long-distance company that a consumer chooses as his/her long-distance carrier, the particular calling plan (if any) chosen, and the number and length of calls made during a billing period. Usually, customers designate a specific long-distance company as their primary long-distance carrier. When a customer dials a long-distance call by dialing 1+(area code)+telephone number, a telephone switch automatically routes the call to the customer's designated long-distance carrier. However, customers are not required to use their designated long-distance carrier to handle any of their long-distance calls. If customers use "dial around" long-distance carriers (reached by dialing the appropriate 1-0-1-0-XXX code for a particular company) instead of their chosen long-distance carrier, charges for those calls can also be included on a local bill.

On March 18, 1999, the FCC adopted an Order requiring long-distance carriers to publicly disclose their interstate, domestic long-distance rates in a clear, understandable format. Currently, while companies do file their pricing data with the FCC, it is difficult to obtain and understand the data. Following implementation of this Order, consumers could obtain the rate information from the long-distance companies, company Web sites, consumer groups, or other types of businesses that choose to make the rates available. However, due to a court stay relating to certain FCC rules, this provision will not be effective until the court rules on the case.

Slamming. Generally, slamming is the unauthorized change of a customer's long-distance service provider.[6] There are existing FCC rules and policies designed to protect telephone customers from this practice, and sections of the Telecommunications Act of 1996 prohibit carriers from changing a customer's long-distance company without following specific verification procedures.

The FCC provides information on telephone slamming at its Web site at [www.fcc.gov/Bureaus/Common_Carrier/Factsheets/slamming.html].

Complaints concerning slamming may be filed directly with the FCC:

Federal Communications Commission
Common Carrier Bureau/Enforcement Division
Consumer Protection Branch
Mail Stop 1600A2
445 12th Street, S.W.
Washington, D.C. 20554

Complaints may also be filed electronically at the FCC's Common Carrier Bureau Web site: [www.fcc.gov/ccb/enforce/home.html].

Minimum Use Fees. Certain long-distance carriers charge minimum use fees to some of their long-distance customers. In most cases, basic rate customers (those customers who are not on any calling plan) are assessed the charge. The companies stated that it was necessary to assess the charge because of the expenses of billing, account maintenance, and customer service. Consumer advocates condemned the charge as punishing low volume callers. Minimum use charges are already appearing on some customers' bills and will appear on more this year. The fee, if assessed, can be about $3 per month.

Long-distance carriers may exempt qualifying low-income customers from paying the fee and, usually, long-distance calls made during the month are applied against the fee. If a customer makes $2.50 in long-distance calls during the month, 50 cents will be added to the bill to bring charges up to the $3 minimum. If calls exceed $3, there is no additional fee. Questions about the structure of these fees or company policies concerning the fees should be directed to a customer's long-distance carrier.

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[6] For an overview of the slamming issue, see CRS Issue Brief IB98027, *Slamming: The Unauthorized Change of a Consumer's Telephone Service Provider*, by Angele A. Gilroy.

Customers who wish to avoid minimum use charges may contact their long-distance carrier and inquire about discount calling plans, switch to a long-distance company that does not charge minimum use fees, or cancel their designated long-distance carrier. Most long-distance calling plans, regardless of the company, may carry basic monthly charges. These charges often exceed $3. Should a customer cancel the designated long-distance carrier, they will still receive *incoming* long-distance calls, but would only be able to make *outgoing* long-distance calls by using dial-around carriers or prepaid calling cards. Customers choosing this option should pay strict attention to the details of the price structure of dial-around or prepaid services. Prices for these methods vary significantly.

Neither the FCC nor the states currently regulate minimum use fees charged by long-distance companies. On July 9, 1999, the FCC announced that it would begin an inquiry into how these fees affect low volume callers.

The FCC provides a series of telecommunications tips at their Web site for choosing a long-distance provider. In addition, links are provided to consumer organizations active in telephone issues. See [www.fcc.gov/marketsense].

Internet Access and Long-Distance Charges (Reciprocal Compensation). Members of Congress and the FCC have been inundated with inquiries concerning the classification of telephone calls to Internet Service Providers (ISP) as long-distance instead of local. Those complaining believed that Congress and/or the FCC were about to enact provisions that would make all calls to ISPs subject to long-distance charges. There were and are no bills in Congress to do this.

The FCC conducted a proceeding at the request of telephone carriers to clarify how local telephone companies should compensate each other (reciprocal compensation) for carrying telephone traffic to ISPs. Essentially, when Telephone Company X (a local phone provider) delivers a local call to the ISP, who has chosen Telephone Company Z to handle its local calls, X pays Z to deliver the call to the ISP. If the ISP calls someone, Z pays X to deliver the call. Charges paid from X to Z or Z to X are based upon the length of time that the call is connected or some other basis determined by X and Z. X and Z enter into an agreement for a specified period of time to compensate each other for carrying calls. This compensation is paid between X and Z and does not involve any charges to the ISP or its customers and has no direct bearing on the fees that an ISP charges its customers.

However, calls to ISPs tend to last a long time, since using the Internet is usually not a speedy endeavor, but outbound calls from ISPs do not (in most cases). Thus, local phone companies like X end up paying a lot more to Z than Z pays to X since the compensation is often based upon the length of time that the call is connected. X and other local phone companies in the same position petitioned the FCC to reconsider the status of these calls and designate them as interstate instead of local. Reciprocal compensation applies only to local telephone calls.

On February 25, 1999, the FCC ruled that *"... Internet traffic is jurisdictionally mixed and appears to be largely interstate in nature"* and in a Notice of Proposed

Rulemaking is seeking to determine a federal inter-carrier compensation mechanism.[7] Designation of these calls as interstate by the FCC is a purely jurisdictional designation. While this ruling means that the structure and method of reciprocal compensation (payments between X and Z) will change, it does not change the status of local calls to ISPs to long-distance for the purposes of billing individual customers. It also does not require an end to reciprocal compensation.

The FCC does not regulate the fees that ISPs charge their customers for Internet access. ISPs construct their own packages of monthly, weekly, hourly, or per-minute charges for their customers.

Additional information on reciprocal compensation is available via the FCC Web site at: [www.fcc.gov/Bureaus/Common_Carrier/Factsheets/nominute.html].

Federal Telephone Excise Tax. The federal telephone excise tax first appeared in 1898 as a temporary tax to finance the Spanish-American War. The tax reappeared in 1914 as a tax on long-distance service necessitated by World War I. It has been repealed and reinstated several times since then. The tax was made permanent by the Revenue Reconciliation Act of 1990 (Public Law 101-508) and is currently assessed at a rate of 3% on local and long-distance telephone services. Monies collected from this tax are not kept by the telephone companies but are forwarded to the U.S. Department of the Treasury for general revenue purposes.[8] The Telecommunications Act of 1996 (Public Law 104-104) did not alter this tax. Legislation (S. 94) has been introduced in the 106th Congress to repeal this tax.

Recent telephone excise tax collections have been as follows: fiscal year 1998 ($4.9 billion), fiscal year 1997 ($4.7 billion), and fiscal year 1996 ($4.2 billion).

Local Number Portability (LNP). The Telecommunications Act requires implementation of local number portability. LNP permits telephone customers to retain their telephone number even if they switch telephone companies. LNP is being implemented in stages and will initially be available in the 100 largest metropolitan areas. Phone companies reportedly have spent approximately $3 billion to implement LNP.

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[7] *Federal Register*, March 24, 1999, p. 14203-6 and p. 14239-43.

[8] For additional information on the telephone excise tax, see CRS Report RS20119, *Telephone Excise Tax*, by Louis Alan Talley.

As of February 1, 1999, local phone companies may, but are not required to, assess a monthly charge on customers' telephone bills to recover some of their costs incurred in implementing LNP.

A monthly charge for LNP may appear on customers' bills only in areas where LNP has been implemented. The charge will vary from company to company and region to region depending upon the costs incurred to implement LNP. According to various reports, LNP charges that have been assessed have been in the 20 to 60 cents range. In most cases, residential and business customers will be charged the same amount. The charge is permitted to continue for 5 years from the date it first appears, but should not increase during that time.

Since LNP is being implemented in stages, customers in the largest metropolitan areas will probably see the charges first, while customers in other areas will not see any charge until LNP is implemented in their area.

Any carrier assessing an LNP end user charge must file a tariff with the FCC.

Wireless and competitive local exchange carriers (CLEC) and long-distance companies have also incurred costs associated with LNP. These companies are not subject to the same restrictions regarding cost recovery and are free to charge their customers as much or as little as they want over a period of time of their choice to recover the costs associated with LNP implementation. As a result, customers may see wireless, CLEC, and long-distance companies assessing an LNP charge also.

On July 1, 1999, following a 5-month investigation, the FCC announced that it had directed several local phone providers to reduce their charges for LNP. According to the FCC, this action will result in a savings of $584 million to consumers.

An FCC Fact Sheet on telephone number portability is available via the FCC Web site at [www.fcc.gov/Bureaus/Common_Carrier/Factsheets/portable.html].

Subscriber Line Charge (SLC). The subscriber line charge is a federally regulated charge that first appeared on phone bills following the divestiture of the American Telephone & Telegraph Company (AT&T) in 1984. It is also referred to as an "access charge" and is intended to allow local telephone companies to recover some of the fixed costs (telephone wires, poles, and other facilities) of connecting phone customers to the interstate long-distance network. When a customer makes an interstate long-distance call, in the vast majority of cases he/she must use a local phone company's network to connect to the long-distance network. Access charges are paid to local telephone companies by both the end user (business or residential customers) and the long-distance company carrying a long-distance call. The SLC paid by end users appears on a bill as a specific itemized charge. The long-distance company that carries an individual long-distance call pays access charges to both the local phone company originating the call and the one terminating the call. The access charges paid by the long-distance carriers do not appear on a telephone bill. Recently, the FCC reduced the amount of access charges paid by long-distance companies. Access charges are kept by the local phone companies. They are not forwarded to the federal government.

In conjunction with decisions related to the implementation of the Telecommunications Act of 1996, the FCC revised the SLC for residential and business customers with **more than one telephone line**, although SLC charges for customers with a single line did not change. Currently, in most cases, the SLC for a **primary residential** line is **$3.50** per month. Any additional residential lines are considered **non-primary** lines. The SLC for non-primary lines was capped at $5 per line per month through 1998. Starting in 1999, the SLC for non-primary residential lines was adjusted for inflation and increased $1. It is now capped at **$6.07**. However, this does not mean that all non-primary lines will incur a $6.07 charge on a telephone bill. If the local telephone company's average interstate costs of providing that line are less than $6.07, it may only charge the actual amount of its costs to a consumer.

For **business customers** with a **single line**, the SLC is also capped at **$3.50** per month. The maximum SLC for businesses with **multiple lines** was $9 per line per month through 1998. In 1999, the multiple line business SLC was adjusted for inflation and increased to **$9.20** per line. This charge will be adjusted for inflation in following years also. As with the residential SLC, local phone companies may only recover their costs. Thus, business customers with multiple lines will not necessarily see a $9.20 charge for each line. The amount may be less, and according to the FCC, the current average SLC for businesses with multiple lines is **$7.17**.

Presubscribed Interexchange Carrier Charge (PICC). The PICC is a new access charge that began appearing on telephone bills in January 1998. It is a flat-rate per-line charge that long-distance companies pay to local telephone companies. It is charged in addition to the SLC, because the FCC has determined that the SLC does not allow local phone companies to recover all of the fixed costs associated with the interstate portion of the local loop. The FCC sets PICC charges as ceilings, not absolute rates, and thus specific PICCs will vary from state to state depending upon the costs of providing service within the state. The charge may be assessed for all telephone lines regardless of whether a business or residential customer has actually selected (presubscribed) a specific long-distance company.

PICC charges were scheduled to increase on January 1, 1999, but that increase was delayed until July 1, 1999 by the FCC.[9]

As of July 1, 1999, the PICC for **primary residential lines** and **businesses** with a **single line** is capped at **$1.04** per month, up from $.53 in 1998. The primary line and single line business PICC may be adjusted annually for inflation and increased by $.50. The maximum PICC charge for **non-primary residential lines** is currently **$2.53** per line per month, up from $1.50 in 1998. The cap for **business customers** with **multiple phone lines** was raised to **$4.31** per line per month, up from $2.75 in 1998. The multiple business line PICC ceiling may be adjusted for inflation in the

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[9] *Federal Register*, October 15, 1998, p. 55334-36.

future and increased, if necessary, by approximately $1.50 per year. As with the residential and single-line business PICC, the FCC estimates that, as its plans are implemented, PICC charges should decrease and eventually reach zero in many places.

Long-distance companies are taking various approaches to including or not including PICC charges on phone bills. In some cases, the charges are showing up as an itemized line on a bill, but they also may be lumped in with other charges and labeled "national access fee" or "carrier line charge." The FCC did not order long-distance companies to present PICC charges in a specific way, nor did the FCC order the companies to charge the customer directly for PICC charges. The FCC has stated that its reductions in access charges which the long-distance companies pay to local phone companies have largely offset any increases in per-line or other charges, making them revenue-neutral. Some long-distance companies chose to recover all or part of the PICC charges from their customers and stated that they must do so because their costs have risen and the FCC reductions in access charges were not enough and have already been passed on to customers. Long-distance companies requested further reductions of these charges.

The FCC announced, on June 29, 1999, that as part of its continuing access charge reform process, an overall reduction in access charges of $824 million would take effect on July 1, 1999. Increases in payments that long-distance companies make to universal service fund programs would reduce access charge savings for the long-distance companies to approximately $500 million.

The FCC provides additional information on its interstate access charge system at its Web site: [www.fcc.gov/Bureaus/Common_Carrier/Factsheets/access2.html].

Federal Communications Commission
Consumer Protection Branch
Common Carrier Bureau
Mail Stop 1600A2
Washington, D.C. 20554

Universal Service. Section 1 of the Communications Act of 1934, as amended, states that one of the reasons for creation of the FCC is to "... make available, so far as possible, to all the people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex, a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges ..." The Telecommunications Act of 1996 added section 254 (Universal Service) to the Communications Act. This section states that policies for the preservation and advancement of universal service shall be based upon, among other things, quality service at just, reasonable, and affordable rates and that access to advanced telecommunications and information services should be available in all regions of the Nation.

The concept of universal service can trace its roots to the turn of the century and the early years of the telephone system in the United States. During these years, a complex system of cross subsidies developed to fund telephone services for all citizens of the United States. Wiring rural areas was much more expensive than wiring urbanized population centers. Profits generated in the urbanized areas were used to subsidize rural wiring. Higher rates were charged for business customers and long-distance calls, enabling lower residential charges for local calling. Later, assistance was provided for low-income households. As the years passed, revenues continued to increase, and these complex cross subsidies enabled the funding of universal service at affordable rates for all citizens.

Up until the present time, telephone bills for the most part did not include itemized charges for universal service. While, technically, all telephone customers have contributed to universal service for decades, such charges were built into the rate system. The companies that currently pay into the universal service mechanism do so based upon their revenues, not according to a specific fee. The FCC has not established rules mandating or forbidding phone companies from itemizing their universal service costs on telephone bills, and there is no specific federal universal service charge that must be charged directly to customers. Presently, phone companies are taking different approaches to itemizing universal service costs on customers' bills. Some phone companies feel that they must pass on the costs of universal service directly to their customers and are itemizing charges on bills to reflect this. Any charge on a phone bill labeled as a "federal universal service charge" or "universal service connectivity charge" or something similar has been added as a specific item by the company issuing the bill. Questions about any such charges should first be directed to that company.

With the divestiture of AT&T in 1984, the expansion of competition, and advances in technology, the structure of the telecommunications industry in the United States began a complex transformation that continues today. No longer was the system of cross subsidies applicable mainly to a single major provider of telephone service. At divestiture, seven "Baby Bells" were created. Now, there are five. The number of local and long-distance providers mushroomed, and the country entered the information age. Telephone service was no longer limited to a wired connection in a home or business. New questions arose relating to the concept of universal service. What type of connections should be included? Who should contribute to a universal service mechanism? How much should they pay? How should they pay?

As a result of the Telecommunications Act of 1996, the FCC attempted to answer some of these questions. In its May 7, 1997, universal service and access reform decisions, the agency, in compliance with the provisions of the 1996 Act, expanded the field of entities eligible for universal service to include schools and libraries (known as the "E-rate"[10]) and rural health care providers. The pool of companies paying to fund universal service was enlarged and access charges were restructured. The FCC announced in May 1999 that E-rate funding would increase to its annual cap of $2.25 billion. Previous year funding was $1.3 billion.

For extensive information on the FCC's actions relating to universal service see: [http:www.fcc.gov/ccb/universal_service/welcome.html].

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[10]For more detailed information on the E-rate, see CRS Issue Brief IB98040, *Telecommunications Discounts for Schools and Libraries*, and CRS Report 98-604 EPW, *E-Rate for Schools: Telecommunications Discounts Through the Universal Service Fund*.

The universal service fund is administered by the National Exchange Carrier Association (NECA).

National Exchange Carrier Association
100 South Jefferson Road
Whippany, NJ 07981
(800) 228-8597

NECA Web site: [www.neca.org]

Local Taxes. The county, city, or state in which an individual lives often has its own tax on telephone service. Local taxes may be much higher than the federal excise tax and can exceed 20%. Questions about these taxes should be directed to local phone companies, state public utility commissions, or local tax authorities.

Interstate Tax Surcharge. This charge, also known as a gross receipts tax, applies to interstate revenues generated by long-distance telephone companies within an individual state. It is not a federal tax. State and/or local tax authorities can provide information on this tax.

911 Charges. Local government authorities are responsible for the construction and maintenance of 911 emergency calling systems within a state. Any 911 charges or taxes appearing on a bill are dependent upon a local government's actions relative to 911 and will vary from locale to locale. Implementation of an enhanced 911 (E911) system is underway for wireless service providers. As a result, customers of cellular and personal communications services and other wireless service companies may see 911 charges on their bills.

Relay Center Surcharges. Also known as Telecommunications Relay Services (TRS), this charge is used to provide operator-assisted telecommunications services for people with hearing or speech disabilities. Costs for intrastate TRS services are paid by the states. Costs for interstate TRS services are borne by the Interstate TRS fund, administered by the National Exchange Carrier Association and funded by all interstate carriers. The NECA collects funds from approximately 3,000 companies based on their interstate revenues. Charges on customers' bills are usually a few cents per telephone line. TRS services are required by Title IV of the Americans With Disabilities Act (Public Law 101-336).

For additional information on TRS: [www.fcc.gov/dtf/trs.html].

Cramming. Customers who cannot determine what a specific charge is for might have been "crammed." Cramming refers to the inclusion of unauthorized or possibly illegal charges that appear on a customer's bill. An amount might be labeled as "monthly fee," "membership," or "information service." Contact should be made with the local telephone company or bill provider to obtain the name, address, and phone number of the company for whom they are collecting the fee in question. Consumers should request that the charge be removed from the bill if they believe they are a victim of cramming. Since the local phone company is usually only acting as a billing agent for a company, they cannot resolve individual disputes. However, they should be made aware of the situation.

Complaints concerning questionable charges for calls placed within a customer's state should be directed to a local consumer office and/or the state public utility commission and the company that initiated the charge in question.

If the charges involve information services (900 numbers, psychic hotlines, etc.), not telephone services, a customer may register a complaint with and obtain information from:

Federal Trade Commission
Consumer Response Center
Room 130
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580
(877) 382-4357

FTC Web site: [www.ftc.gov]

Should the complaint involve telephone-related issues, interstate or international services, and/or charges, a complaint may be registered in writing with the FCC:

Federal Communications Commission
Common Carrier Bureau
Consumer Complaints
Mail Stop Code 1600A2
Washington, D.C. 20554

The FCC is currently conducting an inquiry into invalid and unclear charges on telephone bills. The FCC provides further information at their Web site:

[www.fcc.gov/Bureaus/Common_Carrier/Factsheets/cramming.html]

Information on the FCC's anti-cramming best practices guidelines is also available at the FCC Web site:

[www.fcc.gov/Bureaus/Common_Carrier/Other/cramming/cramming.html]

Internet Cramming. Recently, a cramming scam that targets small businesses, religious groups, charities, foundations, and/or any small organization desiring an Internet presence has generated thousands of complaints. Companies, usually through some type of telemarketing operation, will contact consumers and offer a "free trial" for the design and maintenance of a Web site. In many cases, such companies fail to disclose that, unless the free trial is specifically canceled by the consumer, a monthly fee (for continued maintenance of the Web site) will be collected and charged to a customer's telephone bill. In some cases, even when the free trial is canceled by the customer, the charges continue to appear on the customer's phone bills.

The FTC has filed Internet cramming cases against various companies and provides information at their Web site. Complaints may be filed at the FTC Web site or by contacting the FTC at the address or phone number listed above.

Federal Communications Commission

The FCC Common Carrier Bureau has developed a Web site devoted to providing information on various telephone-related issues. The site includes several FCC fact sheets on specific telephone-related issues, summaries of enforcement actions, and allows consumers to file complaints via the Web.

[www.fcc.gov/ccb/enforce/home.html]

The FCC's main mailing address and phone number are:

Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

(202) 418-0200

National Association of Regulatory Utility Commissioners

The National Association of Regulatory Utility Commissioners (NARUC) is an organization of state and federal regulatory commissioners having jurisdiction over public utilities. Individual state public utility commissions (PUC) may provide assistance to consumers concerning telephone bills. Web site connections and addresses for state PUCs are available through the NARUC Web site.

National Association of Regulatory Utility Commissioners
1100 Pennsylvania Avenue, N.W.
Suite 603
P.O. Box 684
Washington, D.C. 20044-0684
(202) 898-2200

[www.naruc.org]

The FCC Web site provides a list of main, complaint, and in-state, toll-free telephone numbers for the telecommunications regulatory authorities in each state. No mailing addresses are provided. The list is available at:

[www.fcc.gov/ccb/consumer_news/state_puc.html]